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SOURCE Hsin Ching-chi Lun-ts'ung (Symposium on the New Economy), published by Shih-yueh Ch'u-pan She, pp 164-174, [redacted]

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RECONSTRUCTING CHINA'S TEXTILE INDUSTRY;
THE 1950 COTTON HARVEST

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Problems of Reconstruction

When the Chinese textile industry was in its infancy, Japan and England, taking advantage of their unequal treaties with China, began to exercise pressure. During the period between 1914 and 1930, the dominant position occupied by England in China's textile industry was gradually taken over by Japan. This can be seen by the fluctuation of the number of spindles for each country, as the following table shows.

	1913		1925		1930	
	No of Spindles	Percent-age	No of Spindles	Percent-age	No of Spindles	Percent-age
Chinese factories	427,172	62.7	1,982,272	56.3	2,492,394	55.6
Japanese factories	95,872	13.5	1,331,304	37.8	1,821,280	40.5
English factories	167,902	23.8	205,320	5.9	177,228	3.9

A comparison of the situation in 1933 with that of 1936 shows that the percentage of Chinese-owned spindles decreased from 57.1 percent in 1933 to 56.85 percent in 1936; and then further decreased from 33.25 percent to

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32.58 percent [no period given]. The percentage of the number of Chinese-owned looms decreased from 48.23 percent to 47.95 percent. After the 7 July 1937 incident, Shanghai -- the center of the textile industry -- fell into Japanese hands. Most of the factories were damaged. Those which managed to move to the interior had about 200,000 spindles, only 10 percent of the total.

After the victory, a large number of industrial plants were returned to us by the Japanese. The production of the textile industry was restored to its original capacity, having a total of 4 million spindles. The Central Textile Company had 40 percent of the spindles in China and produced 60 percent of the total output. This company monopolized the country's textile industry; consequently, national capitalism had no way of being developed.

China has a total of 5,220,000 spindles. Now, in September 1950, 4,280,000 of them are in use; and it is probable that 200,000 more will be in use before the end of this year. If each spindle is operated every day by two shifts, day and night, it needs an annual supply of 250 catties of cotton. The 4.5 million spindles will need an annual cotton supply of 11.25 million piculs. If the actual amount of cotton produced this year is 14 million piculs, it will be approximately the amount needed by the modern textile factories, after part of the cotton has been used by the villages for handicraft spinning and weaving.

The problem now is how to develop New China's textile industry.

We consider that New China's textile industry should be classified into three categories: state-owned, privately owned, and domestic handicrafts; and the three categories should be regulated in three separate and different ways.

The methods of supplying raw materials and the opening of large markets should be planned. As for raw materials, when the rural areas become more stable, the first thing we should do is to raise the production of cotton to the 1936 or 1937 level. Products which are to be imported from foreign countries should be limited to fine cloth, which we are still not able to produce, and production tools. In the meantime, efforts should be made to improve the quality of domestic cotton in order that we may dispense with imports from foreign countries.

During the first stage of our reconstruction work, we should double the number of spindles to 8 million. In the same way, the production of raw materials should be doubled or tripled. On the one hand, this should provide a sufficient supply for the market's demand, in addition to the amount consumed by domestic handicraft industry; and on the other hand, the quality of raw cotton should be improved sufficiently to meet the standards demanded by modern industry.

Handicrafts and small production shops should also be protected and developed. Since the production of modern industry cannot and will not be sufficient to meet the market's demand for a long time to come, handicraft industry must be supported. The development of the small handicraft industries could prepare the way for modern and mechanized production. Also it might be possible for such small industries to adopt the business methods of the producers cooperatives.

We are of the opinion that the reconstruction of our textile industry should not be concentrated in a few large cities. In the past, the concentration of the textile industry in a few large cities was partly due to reliance on imports for raw materials and production equipment, and partly due

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to the fact that finished goods were intended to be marketed in middle-sized and small cities. For the time being, we must depend on foreign countries for production equipment, but this situation will certainly not last very long. After a transition period, we will be able to make our own production equipment.

As far as marketing is concerned, the market should no longer be limited to middle-sized and small cities; it should be extended and enlarged to include the countryside. Exporting is of only secondary importance. Therefore, the textile industry should be decentralized. Textile factories should be scattered in the major cotton-producing areas. Then, raw materials could be acquired for less money and a labor force would be available from the large labor reservoir of the rural areas. Transportation difficulties would be avoided, and the cost of production would be lowered.

However, we should not consider the increase of factories and spindles as the only goals of our construction program. We should raise production efficiency and improve technical skills. In an age of mechanized production, technological improvements continue each day. Although we have comparatively new machines in our textile plants, they will become out-dated several years from now if improvements on them are not made.

Certainly, the government should do its best to help. It can help in a number of ways: granting loans, encouraging increased production, improving production equipment, raising the quality of raw materials, improving the communications and transportation systems, and supporting cooperative marketing and production. In the meantime, taxes should be reduced. In this respect, the new industrial and commercial policy clearly stipulates that taxes on necessities will be lower than taxes on luxuries. The importing of cotton cloth which is not urgently needed is strictly forbidden to prevent competition with domestic products.

The most important goal is the function and the development of a state-owned textile industry. The fundamental nature of the New Democracy's economy is the leadership provided by the government and its guidance and supervision over the development of private enterprises. A policy of complete laissez-faire cannot be adopted. The building up of our national economy should be conducted on a large scale in order that productive capacity can be developed to the fullest extent. Efforts should be made to provide sufficient cotton yarn for privately owned textile factories and to adjust and regulate the market. Thus, the cost of production in privately owned factories will be reduced; and supply and demand in the market will be in equilibrium. Under a planned production program, we must reach the goal where everybody has enough clothes to wear. Gradually we will lead capitalism to the road of socialism.

The Rich Cotton Harvest of 1950

The principal raw material for the textile industry is cotton. Owing to continuous war which ruined the countryside for a long time, agricultural productivity has been very low. Furthermore, since cotton had long been viewed as a secondary crop, its production had decreased yearly. In 1936, the total quantity of cotton produced amounted to about 15 million piculs (one picul is 133 pounds); in 1937, it was 12 million piculs. During the War of Resistance, production in the great interior was between one and 2 million piculs. In 1941, there was a decrease. In 1942, the production was only 300,000 piculs. After 1945, production was increased somewhat. In that year, the output of cotton was 5 million piculs. In 1946, it was 6 million piculs; in 1947, more than 11 million piculs. The increase was due to the comparative stability of the rural areas.

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If we can reach and keep the production level of 1936, it is possible that the supply will be sufficient to meet the demand. Since domestic weaving in rural areas is still popular and since it absorbs about 15 million piculs of cotton every year, what is left will be too little to meet the market's demand. Furthermore, the quality of the cotton we have produced is not good enough to be considered as fine cotton. Therefore, for the raw material for cotton yarn we are dependent mostly on imports. The annual import of cotton is valued at about 100 million US dollars.

The cotton harvest this year [1950] is very satisfactory, except for cotton fields in a few areas which suffered from natural disasters. According to "The Instruction on the Policy of Agricultural Production and the Planning of Increasing Production of Food and Cotton for 1950," promulgated by the Central People's Government's Ministry of Agriculture 27 January 1950, it was planned that 50 million mou [one mou is 1/6 acre] of cotton would be planted this year to produce 13 million piculs of raw cotton, an increase of 4.77 million piculs over last year's production.

According to statistics from various sources, the total area planted to cotton this year reached 60,250,000 mou. Except for areas suffering damages, the production of which is still uncertain, the actual area harvested already amounts to more than 56 million mou. If each mou produces an average of 26 catties, it is estimated that the total production of cotton for this year will be at least 14 million piculs or more. The planted acreage, as well as the actual production, will be more than was originally planned for; the production is already 20 percent more than the average production of the years between 1933 and 1937. It is 82.8 percent more than the production of the last year before the war.

Thus, the abundant harvest of cotton has solved the problem of supplying raw material for the textile industry. Many factories which had been forced to close because of the lack of raw cotton, will be able to resume production. For instance, Ho-hsin, Shen-sh'i, and 12 other textile factories in Shanghai, which have a total number of 233,000 spindles and 1,075 looms are all planning to resume operations as a result of the rich harvest of cotton which will be available in the market by September. Some textile factories have already begun to increase shifts and some are even planning to increase the number of spindles.

The abundant cotton harvest has also had a tremendous effect on the cost of production. Factories which ceased operation will be operated again; those that reduced their output will increase their production, and production cost per unit will be lowered. For example, if the factories in Shanghai operate 5 days and 5 nights instead of 4 days and 4 nights each week, production cost will be reduced by 11 percent.

Solution of the problem of marketing will become easier as a result of the abundant cotton harvest. In the past, the domestic market for cotton goods was too small; a part of the finished goods had to look for markets in Southeast Asia. After the standardization of our national finance and economy in March 1950, when the deceptive purchasing power was gone and before the new purchasing power was established, there was a general slack in the consumption of cotton goods. When goods found no buyers, it was very difficult to talk about production.

Now the situation is different. On the one hand, as a result of the government's planned readjustment and support during the past 6 months, the textile industry has constantly improved itself. On the other hand, the purchasing power of the farmers has increased partly because of the rich harvest of cotton. Fine cloth, flowery cloth, etc., have become farmers' necessities. This provides a large and dependable domestic market for the textile industry, a market which has a very bright future.

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There is a close relationship between agriculture and industry in our new society. The restoration of agricultural production is the basis for industrial development; the development of industry will lead and support the advancement of agriculture. The relationship between the rich cotton harvest this year and the gradual improvement of the textile industry is a sufficient and convincing proof.

Of course, our achievement is still rudimentary. It is estimated that we have only 3 percent of the world's total number of spindles. Our looms constitute 1.5 percent of the total looms of the world's industrially advanced countries. We must greatly enlarge the number of looms, and their efficiency of operation must be improved. In short, we should first achieve the goal of making sufficient cloth for everybody in China.

As far as the production of cotton is concerned, this year's achievement is very satisfactory indeed. The output per mou can be greatly increased, however. This year the production averaged 26 catties per mou (individually, some areas may have produced 100 catties per mou). This is more than 19 times less than the ~~500-catties-per-mou~~ record on the most productive Soviet farms. Of course, we cannot make such high records overnight. However, it is possible that in the next 3-5 years, the average output per mou could increase by 10 catties.

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